IBM taps ecosystem partners for public cloud offering aimed at financial services industry

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Big Blue unveiled the initial class of ecosystem partners for the IBM Financial Services-ready Public Cloud, introduced in November 2019, underscoring the vendor's commitment to enterprise-grade clouds, and its ambition to facilitate industry transformation.

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Introduction

In the early days of the cloud (the mid-2000s), a key thread of IT industry chatter revolved around the 'suitability' of public cloud environments for mission-critical enterprise applications. The debate rages on (albeit at a lower level of intensity) because overall IaaS/public cloud adoption has expanded from 32% (as documented in one of our first Voice of the Enterprise surveys from 2015) to 53% today.

In addition, organizations are advancing along the maturity curve of public cloud usage, with 39% at the 'broad implementation' stage (multiple production applications in the public cloud) compared with 27% in 2015. However, while financial services companies' overall adoption of IaaS mirrors that of the broader population, only 25% of organizations in this segment are at the broad implementation phase of cloud maturity. This points to the challenges and obstacles that IBM is seeking to address with the IBM Financial Services-ready Public Cloud, for which it has announced the first ecosystem partners.

451 TAKE

IBM has a long history of helping customers move from one technology era to the next. With the rollout of IBM Financial Services-ready Public Cloud (slated for the latter half of 2020), IBM aims to do the same thing at the industry level. Now that the first group of ecosystem partners is on deck, the next step is to establish its public cloud as a go-to destination for a larger-scale reinvention of the financial services industry and, in the process, one-upping other hyperscalers' focus on individual company transformation. IBM's technology platform, along with the verticalized nature (and customer base) of the traditional IT outsourcing/global services business and the industry-focused Watson portfolio, put the company in a position to expand the remit of its transformation value proposition to other highly regulated industries.

IBM Financial Services-ready Public Cloud

The business disruption generated by the global coronavirus pandemic has highlighted the need for agile, responsive IT environments. This is particularly true in the banking industry, with injecting liquidity into the interrupted economy becoming a top priority for national/federal, state and local governments.

451 Research's data shows that prior to the coronavirus crisis, even mission-critical applications were on the move, being executed via a combination of approaches (see Figure below). We expect this trend to accelerate as the world cycles through multiple phases of 'new normal' and the urgency around digital transformation intensifies.

Approach to Mission-Critical Applications

Which of the following best describes your organization's approach to mission-critical legacy applications and workloads going forward?

Modernize	38%
Refactor and shift	29%
Repurchase and shift	16%
Lift and shift	10%
Retain	7%
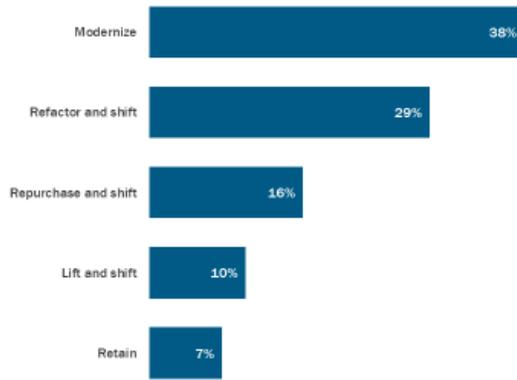
Modernize. Retain existing applications on-premises but move to more modern application and infrastructure architectures.

Refactor and shift. Re-architect/redesign existing applications using cloud-native frameworks and deploy in off-premises cloud environments.

Repurchase and shift. Replace current on-premises applications with SaaS or off-premises hosted versions of the applications.

Lift and shift. Migrate existing on-premises applications to off-premises/cloud environments with minimal changes to the application code or business logic.

Retain. Keep current applications unchanged on existing on-premises infrastructure.

Sample Size = 496
Base: All respondents

451 Voice of the Enterprise™ Digital Pulse, Workloads and Key Projects 2020

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Source: 451 Research's Voice of the Enterprise: Digital Pulse, Workloads and Key Projects 2020

IBM's Financial Services-ready Public Cloud, unveiled in November 2019 and developed collaboratively with Bank of America, is a platform that runs on IBM's public cloud architecture, with an industry-specific policy framework (shared responsibility, enforced by IBM) that de-risks the journey to the cloud for the financial services sector by addressing concerns related to GRC (governance, risk management and compliance), resiliency, security and data protection. The Financial Services-ready Public Cloud will launch in the second half of 2020.

Assets are auditable and trackable down to the bare metal layer for both customer resources and IBM Cloud infrastructure. IBM highlighted the preset policy options designed to cater to the needs of financial services, including the ability to geo-locate data in compliance with legal or regulatory requirements, and separation of personally identifiable information from other datasets.

IBM has long touted the 'enterprise grade' nature of its public cloud, with features such as end-to-end data encryption, private key management based on FIPS 140-2 Level 4 certification, enhanced service level agreements, and native support of VMware, cloud-native and Red Hat OpenShift workload deployment. IBM Security Advisor provides centralized management to assist organizations with security posture auditing and monitoring. Promontory, IBM's in-house financial services compliance consulting firm, helps keep the regulatory policy framework up to date.

IBM Financial Services-ready Public Cloud

Given the extended enterprise nature of financial institutions' business processes, migration of core banking applications and workloads to the cloud means that the ecosystems must also come along for the ride. To that end, IBM announced the first Financial Services-ready Public Cloud ecosystem partners, including ISVs/SaaS providers in fintech (Fiserv, Finxact, Finacle/Infosys, knowis AG, Suntec, Broadridge,Temenos, Thought Machine, Zafin), security/compliance specialists (Caveonix, HyTrust), mobility/IoT software (Movius, Karantis 360), and horizontal IT and SaaS partners (VMware, SAP, Cloudera and Veeam).

The initial class of ecosystem partners are part of the IBM financial services-ready public cloud program, which means they can on-board their offerings to serve a range of clients, including those like Bank of America, which will host mission-critical applications on the platform.

While Bank of America is the first collaborator and user of the platform, IBM's Financial Services-ready Public Cloud is open to all financial services institutions and the ISV/SaaS providers they work with. IBM's initiative brings a structured approach to financial services industry transformation, attacking the friction points that often put innovation at odds with sector-standard risk management processes.

In establishing the IBM public cloud as a 'safe space' for the banking sector's ongoing transformation, IBM is seeking to provide a marketplace that extends the market reach of fintech ISVs and SaaS providers, and position its platform as the operating system of a broad-based industry cloud.

Competition

As the conversion to the cloud accelerates and public clouds becomes mainstream IT, the key to success lies in being able to deliver on the value proposition of best execution venue in a holistic and venue-agnostic manner. IBM's technology agenda is to optimize workload operations, but the broader transformational agenda brings together consulting/professional services, vertical industry, and applications experience and expertise.

IBM's chief competitors in the cloud are the hyperscalers – AWS, Azure and Google Cloud Platform, along with their respective hybrid/multicloud offerings. The traditional GSI companies, such as DXC, Atos, TCS, Infosys, Cognizant, HCL, Wipro, Tech Mahindra and Infosys, as well as the strategic consultants (e.g., PWC, McKinsey, Capgemini, Deloitte and Accenture) are also in the IT/business transformation competitive scrum. However, IBM's stance vis-à-vis these players is more nuanced, given that they are also potential collaborators/business partners in the ecosystem program.

SWOT Analysis

STRENGTHS

IBM's large installed base of financial services industry customers, the business transformation heritage of IBM Global Business Services, and its evolving hybrid/multicloud strategy (supporting everything from legacy to cloud-native) bodes well for the establishment of an industry cloud approach featuring 'enterprise grade' public cloud resources.

WEAKNESSES

Cross-functional, big-picture transformation value propositions may be difficult for organizations to get their arms around, and enterprises (even those in regulated industries) may be more interested in 'quick hit' digital transformation in the short term. In addition, the success of IBM's regulated industry-ready public cloud efforts depends on attracting a sufficient critical mass of core tenants and ecosystem partners to make industry clouds a viable proposition.

OPPORTUNITIES

Re-platforming for digital involves many of the same technology and business model challenges that organizations experienced in the early days of the web 20 years ago. IBM's combined value proposition – the broad portfolio of transformation offerings (helping customers with the 'how'), industry expertise and integrated hybrid/multicloud platform – plays a key role in driving differentiation from the hyperscalers. 'Safe space' industry cloud platforms and associated marketplaces may be the next frontier of cloud competition.

THREATS

Enterprises may continue to turn to the hyperscalers for transformation, given that they are increasingly focused on offerings that capture the migration and modernization opportunity. While IBM has a foot in both the legacy and cloud-native camps, 'born in the cloud' vendors may retain the upper hand with regulated industries' net-new initiatives and digital-economy-oriented industry clouds.